

U.S. Small Business Administration
Hawaii District Office

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For More Information

- SBA offices are located in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and Guam. For the office nearest you, look under "U.S. Government" in your telephone directory, or call the SBA Answer Desk.
- SBA Answer Desk:
1-800 U ASK SBA
- Fax: 202-205-7064
- E-mail: answerdesk@sba.gov
- TDD: 704-344-6640
- Your rights to regulatory fairness:
1-800-REG-FAIR
- SBA Home Page: www.sba.gov

All of the SBA's programs and services are provided to the public on a nondiscriminatory basis.

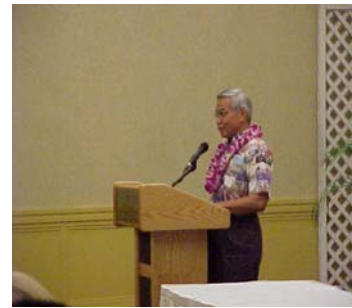
HAPPY NEW YEAR!!!

504 TRAINING AND SBA LENDER'S AWARD

Once again we would like to congratulate our winners and each of you who participated in this years Awards Luncheon, and a special thanks to HEDCO for providing a great training session.

Your continued support for our programs has helped in the creation of jobs and support for a growing economy. Small businesses are the most vital asset to economic vitality in Hawaii and throughout the country. As lenders who constantly strive to out due themselves each year we honor your efforts with SBA's lending awards, but you honor the small business community each and everyday with your financial support in helping them realize dreams.

-MAHALO



Recent Policy and Procedural Notices

(1) **\$750,000 LIMIT FOR 7(a) LOANS (No. 5000-902)**

SBA is implementing a maximum loan size of \$750,000 on regular 7(a) loans approved on or after January 8, 2004. To date (FY 2004), SBA's 7(a) loan program is running at 40% ahead of the number of loans approved and 45% ahead of dollars approved, at this same point in time during last fiscal year.

SBA guaranteed loans to the same borrower or an affiliated business may only be approved when the gross amount of all loans to that borrower and its affiliates during FY 2004 does not exceed \$750,000. The \$750,000 limit should allow SBA to provide continuing, uninterrupted financial assistance.

(2) **Modification Notices for 7(a) and 504 Loan Programs Lien Policy (No. 5000-889)**

Background

The Purpose of this notice is to modify the Standard Operating Procedure (SOP) requirement that all liens on all primary and on all secondary collateral be recorded for the full amount of the loan. SBA became aware that this requirement was causing an unintended hardship for some borrowers. The SOP language resulted in substantial recording fees on secondary collateral paid by borrowers in certain states, without translating into increased collateral value.

Policy Change

Effective immediately, SBA lenders may limit size of the lien recorded on certain secondary collateral taken to secure an SBA guaranteed loan. Specifically, when an SBA lender takes a lien on a personal residence or non-business real property held for investment purposes, the lender may choose to limit the lien to 150% of the available equity on the parcel (as verified by a current real estate appraisal by a qualified professional appraiser). This will allow for the sharing of possible appreciation in the equity over time and grant the borrower relief from the high recording costs in certain states.

(3) **PLP Policy and Processing Requirements for SBA Form 912 Statement of Personal History (No. 5000-877)**

SBA Form 912 An application for guaranty involving an affirmative response to any "Character Question" (question 6,7 or 8) on SBA Form 912, the Statement of Personal History, may be processed using PLP Procedures after the lender has requested and received written clearance of the character issue(s) from the district or branch office serving the territory where the business applicant is located.

To request clearance, the lender must submit a brief description of the business along with SBA Form 912 and required attachments including fingerprint cards if there was a felony or if requested by the district/branch office.

(4) **Revised SBA Form 912 Statement of Personal History**

SBA Form 912, State of Personal History, was revised in **October 2003**. All previous versions of SBA Form 912 are now obsolete.

(5) **7(a) Loan Disbursement Periods and Authority to Approve Extensions (No. 5000-882)**

General Guidance

Disbursement of 7(a) loans should occur as close to loan approval as is prudently possible, considering the needs of the borrower for the funds as well as the requirements set forth in the terms and conditions specified in the Authorization.

(a) Initial disbursement period.

The initial disbursement should occur within 6 months of the loan approval date. An extension of the initial disbursement period may be considered when it benefits the borrower.

(b) Any disbursement period extension.

Any disbursement period may be extended as many times as necessary, not to exceed 24 months from the date of loan approval. However, extensions beyond 24 months may be considered only if justified as essential to the borrower, prudent, and commercially reasonable.

(c) Final disbursement period.

An extension of an initial disbursement period does not automatically extend the final disbursement period. If when processing an extension of an initial disbursement period a lender and/or SBA recognize that the final disbursement period also needs to be extended, a single action may include both extensions. Documentation must clearly state the revised initial disbursement date and the revised final disbursement date, as distinct from one another.

Documentation of extension of action.

Whether the lender requests SBA to approve an extension of a disbursement period or whether the lender that processed the loan under its delegated authority approves the extension, the action must be documented in the respective loan file with the following:

(a) Initial disbursement period extensions beyond six months

For an extension of initial disbursement period beyond 6 months, a written request or written concurrence from the borrower must be received and be placed in the loan file. Without this, the extension request is not eligible and must not be processed.

(b) All approved disbursement period extensions.

- (i) Written justification fully supporting the approval of the action take.
- (ii) Written certification by lender that no adverse changes are not limited to the financial condition of the business (which must be based on current financial statements), but also include adverse changes to the organization, management, operation of the business, assets of the borrower(s) and guarantor(s), etc.
- (iii) Documentation that the guaranty fee has been paid.

(6) 504 On-going Guarantee Fee (No. 5000-884)

Each fiscal year the on-going guarantee fee paid by 504 borrowers to SBA is adjusted as part of the fee structure required to cover the costs of the 504 program. Beginning October 1, 2003, the SBA FY 2004 on-going guarantee fee is **0.393 of one percent**. This is a decrease from the FY 2003 fee of 0.425 of one percent.

(7) 504 Job Creation Adjustment (No. 5000-894)

Effective November 6, 2003, the job creation or retention that a project must create or retain is amended to **one Job Opportunity for every \$50,000 guaranteed by SBA.** Previous to this amendment, the criterion was one Job Opportunity for every \$35,000 guaranteed by SBA.

(8) 504 Loan Program Final Rule (No. 5000-885)

Effective November 6, 2003, all CDC's minimum Area of Operations is the state in which the CDC is incorporated. Nothing further is required of the CDC to operate throughout that state if it chooses to do so.

(9) Updated Internal Revenue Service (IRS) Contact Information

This is the new updated point of contact for IRS tax transcripts to verify business financial information included in SBA loan application. This notice applies on the 7(a) and 504 Loan Programs.

Fresno	Linda Wade	Alicia Bradshaw
1950G Street	559/253-4956 voice	559/253-4961
Fresno, CA 93888	559/253-4990 fax	559/253-4991 fax

If you have any questions regarding any of the above please feel free to contact Jerry Hirata at 541-2969 or Kim Hite at 541-3024.



Temporary Halt of 7(a) Program

Effective January 6, 2004 and until further notice, the U.S. Small Business Administration (SBA) has placed a temporary halt of SBA's 7(a) program and is unable to approve loan guarantees under Section 7(a) due to an unprecedented demand for the 7(a) loan program. Due to this spike in demand, SBA was forced to take necessary steps to manage the program with the resources available.

Applications that have not been processed will be returned to the lender if SBA has possession of the original loan application. If the application was faxed to a processing center, SBA will cancel the application, but will not send the application back to the lender.

We are currently working with Congress and expect to resolve this issue and resume the 7(a) loan program shortly. We regret any inconvenience this delay may cause the small business customer or the lender.

UPCOMING EVENTS

LENDER TRAINING "2004"

7(a) Guaranty Loan Program
Prince Kuhio Federal Building – Room 5-208
February 18, 2004 – Wednesday
8:00am – 12:30-pm

7(a) Guaranty Loan Program: Eligibility, Credit Underwriting and Loan Closing
Special Loan Programs: Capline, 504 loans, Export Express and LowDoc
Parking: Restaurant Row Early Bird Parking until 9:00 AM - \$7.00
District Parking Lot (Corner of Halekauwila and Pohukaina Streets) - \$4.00
Contact Ms. Arlene Orsino 541-2988

January 21, 2004
8(a) Application Workshop
U.S. Small Business Administration
Contact: Joyce Tamayose 541-2990

February 4, 2004
Export the New Hawaii Marketplace
Small Business Development Center
Contact: Anne Naknishi 522-8131

February 10, 2004
State & Federal Tax Procedures
For Small Business Owners
Hawaii Women's Business Center
Contact: Oliv'e Tuiolemotu 522-8136

February 20, 2004
Micro Enterprise 101
Hawaii Women's Business Center
Contact: Olive Tuiolemotu 522-8136



SBA Expands Lender of the Year Contest for FY "04"

New this fiscal year, the Hawaii District Office has expanded the Lender of the Year Contest to include approved 504 loans when tabulating the overall points for Hawaii's top producing SBA guaranteed lender.

Each 504 loan approval will garner two (2) points and one (1) bonus point will be awarded for 504 loans made to businesses owned 51% or more by women and veterans. These points will be applied to the Lender of the Year Contest only and will not be included in the Loan Officer of the Year Contest.

SBA has established two categories of lending institutions based on the total commercial loan portfolio reported by the Federal Deposit Insurance Corporation (FDIC) as of June 2003. Lenders with total commercial loans of \$500 million or more will compete in Category I and lenders with total commercial loans of less than \$500 million will compete in Category II.

Again this year, SBA's Loan Officer of the Year contest will acknowledge an individual loan officer for his or her SBA loan making achievements for the past year. Two (2) points will be given for each loan approval. One (1) bonus point will continue to be awarded for each loan to firms owned 51% or more by women and 51% or more by veterans.

Other bonus points remain unchanged for two other SBA special loan program areas. CapLines will again receive one (1) bonus point. The Export Working Capital Loan program and Export Express loan will receive two (2) bonus points each, to encourage lenders to assist Hawaii's emerging global market.

The Loan Officer of the Year and Lender of the Year contest begins October 1, 2003 and ends September 20, 2004. Winners will be recognized at a statewide event held in October 2004.

SBA Hawaii District Office
Loan Activity, FY 2004
Three Months Ended 12/31/03

<u>Bank</u>	<u>No. of Loans</u>	<u>Loan Amount(000's)</u> <u>Gross</u>	<u>SBA</u>
Bank of Hawaii	28	3047.8	1085.2
First Hawaiian Bank	10	1108.0	811.8
Central Pacific Bank	9	1521.5	1128.0
Citizens Security Bank	6	1445.0	1032.0
American Savings Bank	2	260.0	221.0
Hawaii National Bank	2	189.0	160.7
City Bank	1	145.0	123.3
BankPacific	1	25.0	21.3
Subtotal	59	7741.3	4583.1
Innovative Bank	56	441.0	371.4
Capital One	4	175.0	87.5
Total 7(a) Loans	119	8357.3	5041.9
HEDCO 504 Loans	10	5719.0	5719.0
Lokahi Pacific 504 Loans	2	1386.0	1386.0
MicroLoans	2	14.5	14.5
Grand Total	133	15476.8	12161.4

NUMBER OF
LOANS BY
COUNTY &
GUAM

	<u>Oahu</u>	<u>Hawaii</u>	<u>Maui</u>	<u>Kauai</u>	<u>Guam</u>	<u>Total</u>
Bank of Hawaii	10	4	9	2	3	28
First Hawaiian Bank	7	1		2		10
Central Pacific Bank	7	2				9
Citizens Security Bank					6	6
American Savings Bank	1		1			2
Hawaii National Bank	2					2
City Bank	1					1
BankPacific					1	1
Subtotal	28	7	10	4	10	59
Innovative Bank	46	4	2	4		56
Capital One	4					4
Total 7(a) Loans	78	11	12	8	10	119
HEDCO 504 Loans	4		4	1	1	10
Lokahi Pacific 504 Loans			2			2
MicroLoans	2					2
Grand Total	84	11	18	9	11	133

Lending Officer	Bank	Branch	# Loans	Pts. =	Bonus Points				Total =
				# Loans X 2	Women	Veteran	Capline	IT/ EWCP	Pts. + Bonus Pts.
<i>Oahu</i>									
Masuno, Naomi	CPB	Kaimuki	4	8	1				9
Dickinson, John	ASB	Main	2	4	2				6
Ventura, Jeff	FJB	Ward	2	4	1	1			6
Matsumoto, Patrick	BOH	Ala Moana	2	4	1				5
Fujinaka, Keene	BOH	Pearlridge	2	4					4
Okazaki, Lloyd	CPB	Mapunapuna	2	4					4
Iwasaki, Lance	BOH	Waipahu	1	2	1				3
Wong, Dennis	HNB	Airport	1	2		1			3
Chang, Paula	FHB	Main	1	2					2
Grace, Garrett	CPB	Main	1	2					2
Honda, Lori	BOH	Waiakamilo	1	2					2
Ikeda, Jan	FHB	University	1	2					2
Koyanagi, Jason	BOH	Metro	1	2					2
Lu, Randy	CB	Main	1	2					2
Mendonsa, Gareth	FHB	Moanalua	1	2					2
Mento, Kirk	CPB	Ward	1	2					2
Nakamura, Mark	FHB	Pearl City	1	2					2
Oshiro, Jarrett	HNB	Pearl City	1	2					2
Pai, Lawrence	CPB	Business Banking	1	2					2
Pingree, Gayle	FHB	Waipahu	1	2					2
Shigeta, Darin	BOH	Waiakamilo	1	2					2
Suhas, Amber	BOH	Metro	1	2					2
Wengler, Faye	BOH	Ala Moana	1	2					2
Total			31						
<i>Kauai</i>									
Mayfield, Jim	BOH	Kapaa	2	4					4
Murata, Jeff	FHB	Lihue	2	4					4
Total			4						
<i>Maui</i>									
Wilhelm, Nicole	BOH	Kihei	3	6					6
Baker, Sue	BOH	Kahului	2	4		1			5
Dagan, George	BOH	Lahaina	1	2		1			3
Feliciano, Lolita	BOH	Kahului	1	2	1				3
Lum, Davin	BOH	Lahaina	1	2					2
Santander, Alvin	BOH	Wailuku	1	2					2
Total			9						
<i>East Hawaii</i>									
				0					0
									0
Total			0						
<i>West Hawaii</i>									
Jones, Alison	BOH	Kailua-Kona	2	4	1				5
Potter, Emily	BOH	Kailua-Kona	2	4	1				5
Erskine, Chuck	FHB	Kamuela	1	2					2
Total			5						

SBA's Outreach Efforts

SBA has created a new outreach effort through our Small Business Resource Center's new business orientation class. We have developed a forum where local lenders will be able to provide an overview on key business issues. Lenders will present information on the importance of a business plan, loan documentation, credit scoring and what your credit score means. This is SBA's way of introducing our financial assistance programs to new and growing small businesses. A pilot of this program was launched early October and ended mid December. Because of very positive feedback, we will begin providing this program once again beginning February 2004.

We will continue the lender orientation forum starting February 5, 2004 through May 7, 2004. After May 7, we will again evaluate the program. Positive feedback will be the deciding factor in the continuation of the program. To be placed on the lender's orientation schedule please contact Mary Dale at 541-2983. Those who were unable to get on the last schedule we welcome your participation this quarter.

Wayne Suehiro, First Hawaiian Bank



Susan Maglaya, City Bank



Karl Sadanaga, Bank of Hawaii



SBA Welcomes the new Deputy District Director

Karen Sakihama was recently selected as the Deputy District Director (DDD) of the SBA Hawaii District Office, a newly established position. Karen has served as the Assistant District Director for Economic Development since 1988 and will continue to serve in this capacity. Since June 2000, Karen has also served as the Acting Head of the 8(a) program.

As the new DDD, Karen will add the Entrepreneurial Development Division which is responsible for marketing and outreach, and oversight of the SBA Guam Branch office's operations. By consolidating the management of all programs and services under the DDD, the SBA Hawaii District Office hopes to provide a more seamless delivery to the small business community in Hawaii and Guam.



Resource Rebate Certificate

In an effort to track the results of our resource partners' training we are currently developing a rebate certificate. This certificate will be used to find out how many clients trained by our resource partners actually receive SBA financing.

This program will provide small businesses with rebates such as discounted internet banking services, waiver of initial opening fees for merchant services, checking account with overdraft protection and other benefits. The selected rebate for the client is at the lender's discretion.

The program's objective is to provide lenders with applicants who are more organized and educated in the procedures necessary in obtaining a loan. The training the applicants receive will equip them with the necessary knowledge and tools to start, sustain or grow their business.

We have spoken to several lenders and now have 5 lenders that have agreed to participate in this program: American Savings Bank, Bank of Hawaii, Central Pacific Bank, City Bank & First Hawaiian Bank. If your bank is interested in finding out more information about this program and how it may benefit your small business client please call Mary Dale at 541-2983.



This rebate is good for:

The lender will write in rebate to be given

The above selected rebate is up to the lender. The document is evidence of completion SBA's partner programs and a formal meeting with an SBA representative.

- ☐ Fast Trac New Venture 31.5 hours (HWBC)
- ☐ Fast Trac Planning 38.5 hours (HWBC)
- ☐ NxLevel Training 36 hours (SBDC)
- ☐ NxLevel International Trade (SBDC)
- (for Int'l trade related loans only)
- ☐ Measurable Management 30 hours (HWBC)

Resource Partner	DATE
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SBA Representative	DATE
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Bank	DATE
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